



# **NAVAL POSTGRADUATE SCHOOL**

**MONTEREY, CALIFORNIA**

## **THESIS**

**PAST PERFORMANCE USAGE WITHIN THE  
DEPARTMENT OF ARMY**

by

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June 2004

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**PAST PERFORMANCE USAGE WITHIN THE DEPARTMENT OF ARMY**

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## **ABSTRACT**

In the ongoing attempt to deliver quality goods and services in less time and cost to the Government, the concept of “Best Value “ contracting has been explored. One element of best value contracting is to consider factors along with price in the source selection process to achieve a perceived best value to the Government. Past performance measurement and its use in best value procurements has been developed since the early 1990s.

This thesis explores the past performance guidance within DoD in its use as a source selection factor. Automated tools for tracking past performance will be examined as well as their effectiveness and problems associated with data collection and use. Several steps must occur prior to past performance playing the role that it was envisioned with its inclusion as a factor along with price in the source selection process.

So that past performance data can be used more effectively, this thesis recommends that contracting personnel and contractors establish a process that standardizes the method of measurement, automates its collection, and allows for viewing across the spectrum of past performance data. Furthermore, past performance data should be used within a risk management framework that assesses a contractor’s capability risk to perform on the current procurement.

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## LIST OF ACRONYMS

AFARS	Army Federal Acquisition Regulations
AMCOM	U.S. Army Aviation and Missile Command
ATCOM	U.S. Army Aviation and Troop Command
CCSS	Command Commodity Standard System
CLIN	Contract Line Item Nomenclature
CECOM	U.S. Army Communications and Electronics Command
CIS	Contractor Information System
CPS	Contractor Performance System
CPARS	Contractor Performance Assessment Reporting System
CO	Contracting Officer
CoC	Certificate of Competency
DCMA	Defense Contract Management Agency
DFARS	Defense Federal Acquisition Regulations
DLA	Defense Logistic Agency
FAR	Federal Acquisition Regulation
GFM	Government Furnished Materials
HQAMC	Headquarters Army Materiel Command
JMC	U.S. Army Joint Munitions Command
OFPP	Office of Federal Procurement Policy
MOCAS	Mechanization Of Contract Administrative Services
NASA	National Aeronautics and Space Administration
NIH	National Institute of Health
PAR	Performance Assessment Report
PALT	Procurement Administrative Lead Time
PM	Program Manager
PPI	Past Performance Information
PPAIS	Past Performance Automated Information System
PPDB	Past Performance Data Base
PPIMS	Past Performance Information Management System
PPIRS	Past Performance Information Retrieval System

PRAG	Performance Risk Analysis Group
PWD	Procurement Work Directive
SBCCOM	Soldier Biological and Chemical Command
SDB	Small Disadvantaged Business
TDP	Technical Data Package
TACOM	U.S. Army Tank-automotive and Armaments Command
USMC	United States Marine Corp

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# **I. INTRODUCTION**

## **A. PURPOSE**

This thesis researches and investigates the use of past performance within the Department of the Army. Specifically, current guidance on the use of past performance will be looked at and methods taken to implement and comply with the guidance will be identified. The reasons why past performance is considered and who uses this data will also be discussed. Problems encountered in the implementation of the current guidance will be discussed as well as the effectiveness of the current guidance and approach. Finally, recommendations for more effective use of past performance in the source selection process will be made.

Considerable time and money has gone into the collection and use of past performance within DoD and the Army. Its use has had mixed results, and many within DoD are questioning the effectiveness of past performance and its role.

## **B. BENEFITS OF THE RESEARCH**

This thesis will assess the effectiveness of the use of past performance within the Department of the Army. With a better understanding of the current problems associated with the use of past performance, more effective strategies can be developed for its use in the future.

## **C. RESEARCH OBJECTIVE**

The primary objective of this thesis is to provide an assessment of current problems associated with the use of past performance and identifies more effective ways for its use.

## **D. RESEARCH QUESTIONS**

### **1. Primary Research Question**

How can the Army best use past performance in the source selection process?

### **2. Secondary Research Questions**

- What does past performance actually represent?
- How is past performance used today?
- What guidance currently exists on past performance?
- What organizations gather and use past performance data?

- What automated databases and tools are used?
- What is the overall compliance with past performance guidance?
- What are some possible methods of past performance use in the future?

#### **E. SCOPE**

Current guidance on the use of past performance will be looked at and methods taken to implement and comply with the guidance will be identified. Automated tools for tracking past performance will be explored as well as their effectiveness and problems encountered by users. A discussion will be presented as to the best fit for past performance in the award process and enhancements required to fully implement the current guidance. The value of past performance considerations in the source selection process will also be discussed.

#### **F. METHODOLOGY**

This research uses the following data sources: a comprehensive review of the guidance within Department of Defense, interviews with individuals engaged in the process, journal articles, technical reports, and organizational experiences in past performance use and implementation.

- A comprehensive review of all major guidance on past performance will be performed.
- Telephone interviews will be utilized to assess the current compliance with the guidance on past performance. Problems and current uses of past performance will be identified.
- The information from the review of current guidance on past performance and its current implementation obtained from interviews and organizational experience will be analyzed. Problems with current past performance use will be identified. Consolidation of individual recommendations from interviews will be formulated.

#### **G. ORGANIZATION OF THE THESIS**

The thesis is organized as follows:

- Chapter 1. Introduction
- Chapter II. Provides a background of past performance use and a review of past performance guidance and literature.

- Chapter III. Explains the methods of data collection used in gathering past performance information, and identification problems and challenges associated with the current use of past performance information. This chapter also provides an analysis of the data.
- Chapter IV. Draws conclusions based on the analysis and provides recommendation for future use of past performance.

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## **II. CURRENT GUIDANCE ON PAST PERFORMANCE**

### **A. INTRODUCTION**

This chapter discusses the current DoD guidance with regards to past performance as well as the implementation of data gathering and the use of the data within the source selection process.

Past Performance Information (PPI) guidance was first outlined in OFPP Policy Letter 92-5 in December 1992. [Ref. 17] Attempts to introduce past performance information into source selection early in acquisition reform were described in the ‘Final Report for the Contractor Past Performance System Evaluation Study to the Deputy Under Secretary of Defense (Acquisition Reform) in June of 1996.’ This report depicted continuing obstacles to the use of past performance information in source selection process. Major findings of the cited report are as follows below:

- Weak and inaccurate quality and delivery data processes
- Lack of tools to collect accurate data
- Time to validate performance data
- Impact on the acquisition streamlining efforts to reduced procurement administrative lead times (PALT)
- Productivity impacts
- Administrative burden
- Lack of experience with subjective decision making
- Lack of tools to collect accurate data
- Low bidder mind set
- Risk avoidance culture [Ref. 5:p. 38]

The use of past performance information has always been a part of the Government’s procurement process. Historically, contractor’s past performance was considered in making a responsibility determination as to the contractor’s ability to perform on a current contract. For each procurement action, the contracting officer must make a determination if the contractor is responsive to the request for proposal and if he

is responsible. This determination of responsibility primarily is based on the contractor's delivery and quality performance. A preaward survey is the most common tool to assist the contracting officer in his determination.

In the early 1990s past performance was elevated to be a separate factor along with price, and other factors, for the purposes of determining the "best value" for the Government. The focus, therefore, shifted to one of not just responsibility but one of levels of responsibility of any given contractor. In theory, only responsible contractors should be evaluated for best value purposes. The main idea behind making past performance a factor along with price is that a contractor's past performance reflects varying degrees of risks even though he would be determined responsible for any given contract action.

Past performance has two facets within DoD: one of data gathering and the other on the implementation or use of the data gathered. The collection of past performance data can be accomplished using several methods, but it is ultimately the responsibility of the contracting office to gather the necessary data to make supportable conclusions. The primary sources of past performance data come from existing databases that gather past performance information on deliveries and quality. Past performance information can be and is often obtained as part of the proposal process. In order for past performance to be used effectively, credible and complete data is required on a contractor's performance. The second facet of the use of past performance within the source selection process is how and when the information is used. Issues such as relevance of the data to the current procurement as well as the time frame of the performance history must be taken into consideration.

## **B. DOD GUIDANCE**

The Office of Federal Procurement Policy (OFPP) Letter 92-5 (issued December 30 1992) required that past performance be evaluated in all competitive negotiated contracts over \$100,000. The letter stated:

Past performance is relevant information regarding a contractor's actions under previously awarded contracts. It includes the contractor's record and conforming to specifications as to standards of good workmanship; the contractor's record of containing and forecasting cost on any cost reimbursable contracts; the contractor's adherence to the contract

schedules, including the administrative aspects of performance; the contractor's history for reasonable and cooperative and commitment to customer satisfaction; generally, the contractor's business-like concern for the interest of the customer. [Ref. 17]

This policy letter does allow for waiver if it is determined by the contracting officer that past performance inclusion as a selection factor is not appropriate. Such determination must be in writing and included in the contract file.

In most cases, this determination is based on the contracting officer's deciding there is no significant difference in the past performance of the contractors who will bid on the solicitation. This occurs most often when the procurements are restricted to other than full and open competition and the contracting officer knows the contractors who are eligible to bid.

Federal Acquisition Regulations (FAR) 15.304 delineates the requirements of when and how past performance information is to be used. FAR 42.15 requires that information be collected for use in the evaluation process. FAR 12.206 addresses use of past performance information for commercial items.

#### **12.206 -- Use of Past Performance.**

Past performance should be an important element of every evaluation and contract award for commercial items. Contracting officers should consider past performance data from a wide variety of sources both inside and outside the Federal Government in accordance with the policies and procedures contained in Subpart 9.1, 13.106, or Subpart 15.3, as applicable.

The use of past performance outlined in OFPP Policy Letter 92-5 (issued December 30 1992) was amended in the FAR 15 rewrite, published January 1, 1998. This letter states that:

- Past performance shall be evaluated in all source selections for negotiated competitive acquisitions issued on or after January 1, 1999, for acquisitions expected to exceed \$100,000.
- Past performance need not be evaluated if the contracting officer documents the reason past performance is not an appropriate evaluation factor for the acquisition. [Ref. 17]

In the January 1999 Deviation, the Office of the Under Secretary of Defense (Acquisition and Technology) allowed DoD contracting activities to change several levels at which PPI was used and collected.

It raised the requirement for use on:

- System and operational support procurement to \$5,000,000.
- Services, information technology, or science and technology expected to exceed \$1,000,000.
- Fuels and health care expected to exceed \$100,000.

This deviation also changed the threshold at which contractor past information was to be collected:

- Systems and operations support contracts to \$5,000,000
- Services and information technology contracts to \$1,000,000
- Fuel and health care contracts to \$100,000
- No threshold for science and technology contracts [Ref. 2:p. 2]

FAR 42.15 delineated what type of Past Performance Information (PPI) should be collected, including the ground rules for its maintenance and the contractors' input into the process. It states that all relevant information on a contractor's past performance should be gathered to include the contractor's conformance to contract requirements, standards of good workmanship, ability to control cost, adherence to contract schedules, history of cooperation and commitment to customer satisfaction. The primary thrust of FAR 42.15 is to allow for contractor review of any past performance information (PPI) collected by an agency. The guidance outlines that a contractor is to be given a minimum of 30 days to review any data collected and comment, rebut or provide additional information about their performance record (FAR 42.1503b). Failure to respond within the 30-day period will be taken as agreement with the assessment. The Contracting Officer may grant an extension to the 30-day review period. [Ref. 11]

Any disagreement on the data gathered between the evaluators and the contractor will be resolved at one level above the evaluator, and ultimate determination on the performance record lies with the contracting activity. The guidance also states that the data should not be retained for more than three years after completion of a contract. [Ref. 10]



## **C. IMPLEMENTATION**

The collection and use of past performance data comes from several different sources. Databases such as Past Performance Information Management System (PPIMS) provides information across the Army on high dollar contracts. Each command also maintains an internal tracking system for such things as on-time delivery and quality performance. These vary in sophistication and completeness among commands. Another primary source is past performance information requested during the solicitation process from each offeror. This information then is used along with additional information gathering such as interviews and surveys with past customers.

Collection of past performance data faces several inherent difficulties based on the size of the Federal procurement system and the variety and number of actions. The major issues related to the collection of Past Performance Information (PPI) are as follows:

- Capturing all relevant PPI in a manner that is useable for evaluation purposes.
- Uniformity of information gathered.
- Automation tools available for collection.
- Determining who gathers the information.
- Measurement or metric used (grading system).
- Deciding how long information is retained, in what form, and by whom.
- Assessing whether the cost of collection outweigh the benefits.

Data collection methods and processes were left up to the individual agencies and services. The Army initially relied on the Contractor Information System (CIS) database, which holds information on a contractor's performance. This database lacked completeness and consistency of data. Data was often incomplete or with no information about contract performance. The information in the system was often inputted by the same individuals who were using the data and represented no new information for their analysis.

The Army currently uses PPIMS, a web based information system. Under PPIMS, information is gathered on Performance Assessment Reports (PARs), which are initiated and/or modified, via a data input screen. PARs are prepared upon completion of

the contract. When the contract period of performance does not exceed 18 months, a single final assessment report is submitted. When contract performance is expected to exceed 18 months, an interim report is completed at 12 months and annually thereafter until contract is physically complete. An out-of-cycle addendum report can be prepared if there is a need to document an extraordinary event prior to the required reporting period. At submission of an evaluation the contractor has the ability to provide a rebuttal to the information. Once that process has been accomplished, the data is retained to be available for use in making future award decisions. PPI is retained in the PPIMS for three years after contract completion. The official signed hard copy is retained in the official contract file. [Ref. 21]

The PAR report is required at the following thresholds, as required by AFARS 5142.1502-90:

<b>Business Sector</b>	<b>Threshold</b>	<b>Assessing Official</b>
Systems	\$5M	PM
Operation Support	\$5M	Contracting Officer
Services	\$1M	Contracting Officer or PM
Information Technology	\$1M	Contracting Officer
Construction	\$500,000	IAW FAR/DFARS/AFARS Parts 36/236/5136
Architect-Engineering	\$25,000	IAW FAR/DFARS/AFARS Parts 36/236/5136 [Ref. 1:Paragraph a]

PPIMS looks at and rates several areas within a contractor's past performance. Data is captured in the following areas:

- **Quality of Product or Service** - Contractor's conformance to contract requirements, specifications, and standards of good workmanship (e.g., commonly accepted technical, professional, environmental, or safety and health standards.)
- **Schedule** - Timeliness of the contractor against the completion of the contract, task orders, milestones, delivery schedules, administrative requirements (e.g., efforts that contribute to or effect the schedule variance.)
- **Cost Control** - (Not required for Firm-Fixed Price and Firm-Fixed Price with Economic Price Adjustment contracts.) Contractor's effectiveness in forecasting, managing, and controlling contract cost.

- **Business Relations** - Integration and coordination of all activity needed to execute the contract, specifically the timeliness, completeness and quality of problem identification, corrective action plans, proposal submittals, the contractor's history of reasonable and cooperative behavior, customer satisfaction, timely award and management of subcontracts, and whether the contractor met small/small disadvantaged and women-owned business participation goals.
- **Management of Key Personnel** - (For services and information technology contracts only) - Contractor's performance in selecting, retaining, supporting, and replacing, when necessary, key personnel. [Ref. 21]

The PPIMS rating system described below is used to assess contractor performance for all applicable PPI elements:

- Exceptional (Dark Blue) - Performance meets contractual requirements and exceeds many to the Government's benefit. The contractual performance of the element or sub-element being assessed was accomplished with few minor problems for which corrective actions taken by the contractor were highly effective.
- Very Good (Purple) - Performance meets contractual requirements and exceeds many to the Government's benefit. The contractual performance of the element or sub-element being assessed was accomplished with some minor problems for which corrective actions taken by the contractor were effective.
- Satisfactory (Green) - Performance meets contractual requirements. The contractual performance of the element or sub-element contains some minor problems for which corrective actions taken by the contractor appear or were satisfactory.
- Marginal (Yellow) - Performance does not meet some contractual requirements. The contractual performance of the element or sub-element being assessed reflects a serious problem for which the contractor has not yet identified corrective actions. The contractor's proposed actions appear only marginally effective or were not fully implemented.
- Unsatisfactory (Red) - Performance does not meet most contractual requirements and recovery is not likely in a timely manner. The contractual performance of the element or sub-element contains serious problem(s) for which the contractor's corrective actions appear or were ineffective. [Ref. 1:Paragraph g]

The methodology for rating past performance can include color coding, adjectival, or numerical rating systems, and plus or minus checks. What is important is not the rating methodology, but the consistency with which it is applied to elements of proposals.

Consistency must be maintained not only in the application of source selection plan but also among contractors to ensure a thorough and fair evaluation. Each rating should be supported by sufficient rationale to allow a third party to draw a similar conclusion.

The number of rating levels can also impact the effectiveness of the evaluations. Five rating levels allows for a wide enough rating spread to make the necessary distinctions in the scoring or past performance data and in the final rating of contractors past performance during the source selection process. Five levels of ratings is supported and recommended by USD(A&T) memorandum for the past performance OIPT, dated August 11, 1997. [Ref. 14]

Another aspect of the rating process is what value is considered average. The DoD Guide to Collection and Use of Past Performance Information suggests the “*A fundamental principle for rating is that contractors shall not be assessed below a rating of “satisfactory” for not performing beyond the requirements of the contract.*” [Ref. 9:p. 5]

#### **D. PAST PERFORMANCE DATABASES**

Past performance as an evaluation factor is a requirement in competitive selection. The methods of measuring past performance are varied and in many cases cumbersome to use. One of the fundamental problems with the evaluation of past performance has been that there is not one reliable database from which to obtain past performance data; each service has its own data stored in a variety of ways and measured by different methods. For major procurements that involve source selection teams, these shortcomings can be mitigated by manpower that can gather, evaluate, and validate the accuracy of the data for use in the selection decision. On smaller procurements under \$1M, the resources to apply to these evaluations are limited and the time frames to make the awards are shorter.

The recently deployed Past Performance Information Retrieval System (PPIRS) and PPIMS are efforts to overcome some of the data collection problems encountered and are a positive step in a centralized, uniform collection process. PPIRS, an upgraded version of the Past Performance Automated Information System (PPAIS), provides a

central data repository for past performance data within DoD. The PPIRS central warehouse allows retrieval of past performance assessment reports received from four of the recognized Federal report card collection systems, which are:

- National Institutes of Health (NIH) Contractor Performance System (CPS);
- National Aeronautics and Space Administration (NASA) Past Performance Data Base (PPDB);
- Army's Past Performance Information Management System (PPIMS)
- Contractor Performance Assessment Reporting System (CPARS) used by the Navy, USMC, Air Force, DLA, and other defense agencies. [Ref. 20]

#### **E. USE OF PAST PERFORMANCE DATA**

The use of past performance during the source selection process has its challenges even if the information collection has been performed effectively. Many issues must be addressed to achieve an effective use of past performance. How do the evaluators evaluate contractors with no past performance? Issues such as recency of the past performance data and relevancy must be addressed during the evaluation process. Consistency between evaluators as to how the information is graded must be monitored. The weighting that past performance carries in relationship to other factors is also important in that if enough weight is not provided, the effect on the final selection is minimized. Time allotted for the evaluation process is often a concern as there is considerable pressure to reduce over all procurement lead-times. The proper use and evaluation of data from outside the Government's past performance records must be closely monitored for biases and consistency with internal information. It is important that skilled and trained personnel perform the evaluation for consistency of application. Legal oversight into the process can also be problematic if the lawyers unduly influence the evaluators into neutral or risk adverse scoring.

The FAR provides some insight into PPI use in the following parts:

#### **15.305 -- Proposal Evaluation**

- (2) Past performance evaluation
  - (i) Past performance information is one indicator of an offeror's ability to perform the contract successfully. The currency and relevance of the information, source of the information, context of the data, and general trends in contractor's performance shall be considered. This

comparative assessment of past performance information is separate from the responsibility determination required under subpart 9.1

- (ii) The solicitation shall describe the approach for evaluating past performance, including evaluating offerors with no relevant performance history, and shall provide offerors an opportunity to identify past or current contracts (including Federal, State, and local Government and private) for efforts similar to the Government requirement. The solicitation shall also authorize offerors to provide information on problems encountered on the identified contracts and the offeror corrective actions. The Government shall consider this information, as well as information obtained from any other sources, when evaluating the offeror past performance. The source selection authority shall determine the relevance of similar past performance information.
- (iii) The evaluation should take into account past performance information regarding predecessor companies, key personnel who have relevant experience, or subcontractors that will perform major or critical aspects of the requirement when such information is relevant to the instant acquisition.
- (iv) In the case of an offeror without a record of relevant past performance or for whom information on past performance is not available, the offeror may not be evaluated favorably or unfavorably on past performance.
- (v) The evaluation should include the past performance of offerors in complying with subcontracting plan goals for small disadvantaged business (SDB) concerns (see Subpart 19.7), monetary targets for SDB participation (see 19.1202), and notifications submitted under 19.1202-4(b).

The relative ranking of past performance data and other factors to be used in the source selection process need to be identified to the contractor in the solicitation stage of the process. Section L, of the solicitation outlines the instructions, conditions and other notices to offers, the relative importance of past performance should be described as associated with other factors and price. The solicitation provides a description of the data to be evaluated and how it is weighted relative to other factors such as price in Section M, Evaluation Factors for Award. [Ref. 10:p. 10]

Also, contractors should be afforded an opportunity to submit past performance data as part of their proposal. This information can be used to validate the information in the PPIMs databases as well as gain new insights into the contractor's performance. Often on large procurements self-divulgence of a contractor's own past performance history can provide insights into the contractor's willingness and forthrightness in the proposal process.

#### **F. SUMMARY**

In summary, past performance data has many facets that must be properly addressed for its effective use. A myriad of databases can be used and the information must be understood as to how and what is measured. Contractor verification of this information must be made prior to its use in the source selection. The weighting that past performance carries in the source selection decision must be considered and appropriately used to have the desired impact. All these factors surrounding the use of past performance data must be understood and orchestrated with other factors to achieve best value within the procurement action.

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### **III. PROBLEMS, CHALLENGES AND ANALYSIS**

#### **A. INTRODUCTION**

The previous chapters addressed the guidance surrounding the use of past performance within the source selection process. This chapter describes challenges and problems encountered by users of the process and provides an analysis on data collected.

#### **B. DATA SOURCES**

The following data sources were used to identify the challenges and problems encountered with past performance usage:

- Questionnaires were initially sent to identify primary ways past performance was used, who was using it, and when it was being used. (Appendix B contains a sample of questionnaire used)
- Follow-up telephone interviews were conducted to assess the current compliance with the guidance on past performance. Problems and current uses of past performance are then identified. (Appendix C contains sample of interview questions asked)
- Typical individuals contacted:
  - Individuals engaged in past performance tracking
  - Individuals engaged in the utilization of past performance data
  - Individuals using and maintaining automated databases for the collection and use of past performance
- Typical questions included:
  - What automated tools are currently utilized?
  - How often is past performance used as a source selection factor?
  - How are you implementing the current Federal Procurement Policy guidance on the use of past performance?
  - What changes are necessary to fully comply?
  - What do you think the role of past performance should be?

The information gathered from the review of current guidance on past performance and its current implementation along with information obtained from questionnaires and interviews as well as organizational experience is analyzed. Problems with current past performance use are identified.

Data collection was designed to canvass all major buying commands within the Army procurement system. The questionnaires were focused on individuals who are administering the PPIMS system, contracting personnel, and known individuals who have used past performance data during the source selection process. With leads generated from the questionnaires, a representative population was interviewed to expand on the questionnaire findings. All persons contracted were either contract specialists, contracting officers, or individuals directly in the area of data past performance collection and use. The table below outlines the demographics of the questionnaire and interview obtained.

Table 3.1. Questionnaire and Interview Demographics

	Questionnaires	Interviews	
AMCOM	5	4	Contracting Officers and Specialist
CECOM	3	2	Contracting Officers and Specialist
JMC	3	2	Procurement Analyst
Natick	3	2	Contract Specialist
SBCCOM	2	0	Contract Specialist
TACOM	2	2	Contract and Procurement Specialist
HQAMC	1	0	Procurement Analyst

The information above represents an overall 52% response rate to the questionnaires sent out, with a 66% response rate from the Army's primary commands (AMCOM, CECOM, SBCCOM and TACOM). The data received was consistent between commands and was considered as evidence that data was representative of the experiences with past performance within the Army. Interviews were conducted as follow-ups to questionnaires to gain further insights into the use of past performance at each location.

## **C. QUESTIONNAIRE AND INTERVIEW FINDINGS**

### **1. Questionnaire Results**

The following questions were asked of each person about their use of past performance. The percentages represent the number of total respondents for each category or area.

**a. What Are the Primary Ways Past Performance Is Used in Your Organization?**

	<i>% of respondents</i>
For responsibility determination	33%
As a stand alone source selection factor (along with price and other factors)	89%
As a sub element in a source selection	67%
Not at all	0%

This data indicates that when past performance is used, it is used most often as a stand-alone factor in source selection process. Past performance was also identified as a sub element when it was considered along with other factors such as technical merit factors.

**b. Who Determines How Past Performance Will Be Used in Your Organization?**

	<i>% of respondents</i>
Contracting officer	56%
Policy guidance within organization	33%
Contract specialist	0%
Team approach	78%

The contracting officer is the primary force in the use of past performance in the source selection process. This individual makes the ultimate decision if it will be used or will be waived as a non-factor for an individual procurement. Although contracting officers make final determination on its use, they often rely on input from supporting members of the acquisition workforce in making the decision. After the contracting officers has decided to use past performance data, the source selection official is often assisted in the information gathering and ranking process with a dedicated team, often called a Performance Risk Analysis Group (PRAG), or with the assistance of Preaward monitors within the commands. If the source selection authority is someone other than the contracting officer, he or she may have the final say on use of past performance within the source selection.

**c. What Automated Systems Do You Use to Capture Past Performance Data?**

(Respondents could check any that apply)

	<i>% of respondents</i>
PPIRS	22%
PPIMS	78%
CPARS	22%
DCMA Databases	56%
CCSS internal data	56%
Proposal data	33%

**d. Of the Past Performance Data Used How Would You Rate Its Effectiveness?**

	<b>Effectiveness</b>				
	<b>Least</b>				<b>Most</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
PPIRS	50%	50%	0	0	0
PPIMS	43%	14%	14%	29%	0
CPARS	100%	0	0	0	0
DCMA	0	40%	40%	20%	0
CCSS	20%	20%	40%	20%	0
Proposal data	0	67%	33%	0	0

Within this data set the respondents were asked to rank the effectiveness of the data gathered using each automated system. PPIMS was the most frequently used, but the results as to its effectiveness were mixed with 57% responding that it was ineffective and 43 % responding that it was average or slightly better than average. The primary reason given for the lack of effectiveness of the PPIMS was that the data provided often was incomplete and thus did not accurately reflect the contractor's total past performance history. Respondents also stated that the data revealed no new information about a contractor's past performance history as the data entered in the system was often entered by the command retrieving the data. CPARS, the older Army information system, was rated as the least effective among all respondents. This perception occurred because CPARS was replaced by PPIMS, and, as a result, the data contained in the system is less complete than the data found in PPIMS.

DCMA databases and CCSS internal data were perceived as the most useful data with 60% of respondents responding that both systems were average or above in usefulness. The DCMA database has two different methods of tracking a contractor's past performance. Current contracts performance is measured by individual CLIN while completed contracts are measured at the contract level. This information is only retained for a two-year period. The difference in the rationale for the way the information is gathered and maintained presents several problems for use in source selection. The data that reside in these databases often have not been shared with the contractors and require disclosure to the contractor prior to use in the selection process. Furthermore, past performance data received as part of the proposal was perceived to be incomplete and vague with a distinct bias to divulge only the good performance of the contractor. Despite the flaws in the DCMA and CCSS databases, both systems were rated favorably because of their familiarity to the users and the easy access to the data in each system.

***e. What Are Some of the Problems that You Have Experienced with Past Performance Data?***

	<i>% of respondents</i>
Completeness of the data	78%
Labor intensive	67%
Determining cause for poor performance	33%
Validation of data with contractors	56%
Rating performance on newly formed or merged companies	33%
Relative weight past performance given in relation with other source selection factors	67%

Overall, there is a high level of dissatisfaction with the completeness of the data available and, as a result, its usefulness in the source selection process.

Compliance in filing reports when required and completeness of data when submitted are still a problem. Data is often incomplete or not measured in a like manner; this necessitates a large amount of man-hours to be expended before the data can be effectively used. As a result, large amounts of time were required by the source selection team to correct or revalidate the data provided through the CCSS system or PPIMS.

The information collected was often not shared with the contractor prior to being input into the databases. As a result, the information needed to be shared with contractor prior to its use in the source selection process in accordance with FAR guidance. Often delays in delivery are mitigated by Government delays that impact contractor performance. Without validation of the data as to the true cause for the contractual delays, unjustified conclusions could be made about the contractor's performance.

## **2. Interview Results**

As a follow up the questionnaire results, 12 individuals were interviewed to acquire more in-depth understanding of their experiences with past performance information. This phase of the data collection process proved to be most critical to understanding the texture of the problems encountered with the use of past performance data. The following are the primary questions asked during the interviews and a summary of the comments provided.

### ***a. What Automated Tools Are Currently Utilized?***

Most participants interviewed acknowledged the databases asked about in the questionnaire phase. They also voiced their dissatisfaction with problems encountered with their use. PPIMS were generally recognized as the primary source of past performance data on large dollar procurements. The problems identified with the PPIMS system were that the database was incomplete as all contracts that should have been reported in PPIMS was not and those that had some data were often not up to date. When asked why this was the case, the answer was that the process of updating the system was labor intensive and often was a low priority within the organization. Many interviewed had real time insights into this process, as they were often the same individuals who input data into the system for contracts they administered. They stated that the system was labor intensive with respect to both the input of the data as well as retrieval of the data from the system.

The PPIMS database has been the result of a major effort to try to standardize past performance data collection within the Army. PPIMS is the Army's principal tool for the collection and maintenance of contractor past performance information (PPI). The primary purpose of PPIMS is to provide a secure, web-based,

information system providing the Army a user-friendly tool to prepare and maintain contractor performance reports. It became operational on October 11, 1997, with actual on-line reporting capability in 1998.

The primary problem has been that the data required for input into the PPIMS system is not being entered. The PPIMS system has established mandatory reporting thresholds of \$5M dollars for systems and operations support contracts and \$1M dollars for all other contracts. The levels of reporting and input into the PPIMS system have been significantly lower than required. As a result the data is often not representative of a contractor's actual performance on these contracts. Consequently, the source selection teams must then look to other sources of past performance data for their evaluation. With PPIMS requiring reporting of contract performance at the \$1M level, even if the data were present, one could argue that since most contracts are under this reporting threshold, that the performance history is incomplete even if the data were present

The DCMA database was also identified as a good source for past performance data. The database often was more detailed than other systems but the duration of time the information was retained in the database was identified as a problem. The data often had to be shared with the contractor prior to its use as this was not accomplished previously. The DCMA database also employs an alert system that is used to identify problems with contract performance to the buying command. This system was identified as a useful tool to determine contract performance.

Each buying command has past performance data residing in the CCSS system internal to their commands. This data is limited to the individual buying command's past performance history on given contracts. This system provided significant shipping information on specific contracts. However, the system does not document the cause for the delay nor provide an overall assessment of a contractor's total performance.

AMCOM developed an automated program, which measured a contractor's performance with the command on an ongoing basis, and the method of measurement was computed in such a way as to provide a uniform methodology and two

metrics associated with performance. The program measured contractor performance using the units delivered over the last two-year period. Two measurements were captured on this performance history. The contractor was measured on how often the company shipped units early or on-time versus late and included the average number of days that deliveries were early or late. This information was made available to the contracting community on an ongoing basis, which limited the time frames required for review of the data. This approach provided texture and depth to the analysis of a contractor's performance by measuring not only on-time performance, but also the degree of performance in days early, on time, and late. This approach provided a measurement at the most common denominator and, as a result, was considered by the buying command as the fairest method of measurement possible. The problem is that this command was the only one to track to this level. When data was used from other commands, the basis for evaluation was often different.

***b. How Often Is Past Performance Used as a Source Selection Factor?***

Respondents indicated that past performance was used as a source selection factor only a limited amount of the time. The primary reason provided was that a large number of procurement actions are sole source or are restricted to sources by a preferred provider list. On competitive awards, past performance was primarily used only on high dollar awards well over \$10M.

Even when past performance was used in the source selection, it carried minimal weighting. Its lack of significant weighting in the source selection process resulted in the final rating having little or no impact in the source selection.

***c. How Are You Implementing the Current Federal Procurement Policies Guidance on the Use of Past Performance?***

In most cases, the contracting officer waived the use of past performance on the basis of not being appropriate in the current contract award. The primary reason given for the waivers was that the performance history of potential offers was already known and that their performance was not divergent enough to be a factor in the selection.



As to compliance to the reporting side of past performance, respondents felt workload and higher priorities often prevented consistent updates. On large procurements where the requirer was the program office, the updating of the PPIMS data was left up to that office. This updating of the database, however, goes beyond the PPIMS database. No matter which database is used, the accurate and timely updating of the data is paramount. If performance is not maintained in the other databases such as CCSS and DCMA's MOCAS database, these data sources also become less useful when considering past performance.

The guidance requires past performance to be evaluated in all competitive negotiated contracts over \$100,000. It also allows for a waiver if it is determined by the contracting officer that past performance inclusion as a selection factor is not appropriate. Based on the number of times past performance is used as a source selection factor, this waiver is used in the large majority of procurements. The question then arises as to why waivers are pursued? The answer lies in two areas. The first is the cumbersome nature of past performance data when used. The second reason is that past performance is not perceived as a good predictive indicator of future performance, and past performance in the first place is seen to have limited value.

Past performance should always be a primary consideration in the responsibility determination that a contracting officer makes prior to any award. However, when it is used as a selection factor along with price, its importance in the award decision is raised to a higher level. The importance of past performance can be diminished, however, by how much weight it is afforded in the source selection process. Furthermore, the collection and validation of past performance data can be both a resource-intensive and time-consuming process; therefore, when past performance is determined to be appropriate for use, its weighting in the source selection process should be significant enough to be able to influence the source selection outcome. Respondents interviewed felt that unless a weight of at least 25% is afforded an element, it becomes difficult for the rating to have any impact in the selection process.

***d. What Changes Are Necessary to Fully Comply with Guidance on Collection and Use of Past Performance Information?***

Currently there is a low priority given to the maintenance of the past performance databases. Due to manpower reductions, individuals historically focused on this area no longer reside in the commands; consequently this responsibility has become another task as assigned to the contract specialist. Because of the current environment emphasizing making awards faster, less emphasis is put on contract administration. Several individuals interviewed stated that a centrally controlled, group focused on past performance would help. The guidance of rating contractors with no performance history as neutral also was mentioned as problematic. It was felt by some respondents that a lack of past performance was representative of risk on performance of the current requirements.

Consistency of past performance data was a major concern by all individuals contacted. The PPIMS database has been a major effort to try to standardize past performance data collection within the Army. PPIMS is the Army's principal tool for the collection and maintenance of contractor past performance information (PPI).

The primary problem has been that the data required for input into the PPIMS system is not being entered. The PPIMS system has established mandatory reporting thresholds of \$5M dollars for systems and operations support contracts and \$1M dollars for all other contracts. The levels of reporting and input into the PPIMS system have been significantly lower than required. As a result, the data is often not representative of a contractor's actual performance on these contracts. Consequently, the source selection teams must then look to other sources of past performance data for their evaluation. With PPIMS requiring reporting of contract performance at the \$1M level even if the data was present one could argue that since most contracts are under this reporting threshold, that the performance history is incomplete even if the data were present. [Ref. 1:Paragraph a]

The measurement of a contractor's effectiveness in overcoming problems associated with contract performance should also be considered when a trend could be established. DoD currently does not have a system that automates the collection of this

kind of past performance data in an effective manner and only requires assessments by administrators on issues associated with trends and resolution of gray areas that automated data-collection cannot achieve.

The FAR states that the length of time that past performance data are to be retained should not be exceed three years after completion of contract performance. In most cases this makes sense because past performance should be recent enough to be predictive. There are cases, however, like major weapon system procurements, that data up to five years or more has some relevancy. An example of this is when a major weapon system is being procured and the relevant procurement history for a similar system is longer than three years.

Contractors have complained about the way that the three-year duration is interpreted, since completion of a contract is often not recorded with shipments. Rather, because the contract has not been administratively closed out, the performance on the contract is included even though shipment performance was completed more than three-years previously. There is also debate whether all performance on the contract may be utilized or just the portion of performance that is within the last three years.

Another concern or potential problem with past performance is the assessment of the contractor with no performance history, or the assessment of newly formed companies. Current guidance indicates that these contractors should be rated as unknown, having no positive or negative evaluative significance. This approach ignores that a lack of performance by a company in itself indicates an unknown risk as to their ability to perform on the current proposed contract.

A similar problem occurs when contractors team to bid on a proposal. In this case a determination is made to determine which contractor is providing what efforts and then applying their individual past performance histories accordingly. This method may also be applied if there is a prime, who has a subcontractor that is being relied on heavily.

*e. What Do You Think the Role of Past Performance Should Be?*

The overwhelming response was that past performance should only be considered as a source selection factor when conditions warranted its use. Past performance should primarily be considered when poor performing contractors are anticipated to be bidding, and when nonresponsibility determination cannot be justified but performance is not as good as the command would like. Often nonresponsibility determinations made by the contracting officer are overturned by the small business office in the form of certificate of competency (CoC). By making past performance a source selection factor only on responsible contractors, the ability of small business to issue a CoC is negated because a small business non-selection was based on best value criteria and not solely on a determination of responsibility. An SBA certificate of competency becomes moot in this case, requiring that past performance of small business competitors be scrutinized, the same as any other competitor. Another reason given for the use of past performance as a source selection factor is when delivery of the item is critical to the readiness of the command. Most often when this occurs, urgency is used as justification for sole source, thus avoiding competition in the first place.

In general, past performance as a source selection factor was not well received by most interviewed. The list below outlines other comments provided about the use of past performance as a source selection factor.

- “Almost never prevents award to lowest bidder”
- “There are always mitigating circumstances for poor performance”
- “Make it go away”
- “Can provide significant insights to a contractor’s capabilities”
- “Rating are sugar coated or artificially raised”
- “Should not be so labor intensive to achieve results”
- “Legal community sometimes overtly conservative”
- “Only a tool”

Several respondents stated that the legal support in the source selection process often took a conservative approach to the grading of contractors, which often led to more conservation or neutral ratings. The legal communities in one command even reviewed all the write-ups on each contractor and were overbearing in requiring changes

and recommendations, which team members did not agree with. Legal counsel is important part of the source selection process but should not unduly influence the judgment or conclusions of the raters.

#### **D. OTHER RELATED STUDIES**

The American Bar Association's Public Contract Law Section completed an extensive study on the Government's current practice of past performance evaluations in May of 2003. The findings of this study closely parallel the information gathered through my questionnaires and interviews. Their study had over 1315 participants made up of Government contracts management, corporate contracts management, consultants, Government and corporate attorneys, private law firms, and others that responded to the study. The American Bar Association study identified the following information with regards to past performance:

Some of the problems areas identified in the study were the consistency in the reporting requirements as well as the overall grading process. The use of past performance was only considered moderately effective in predicting a contractor's future performance. Only 28% of respondents thought that it was an accurate predictor of a contractor's future performance. [Ref. 22:Question 3]

All respondents were asked the following questions:

##### **1. The Greatest Hurdles to the Government-Wide Implementation of the Use of Past Performance Are (Choose As Many As Are Appropriate):**

- |   |  |
|---|--|
| • Inconsistency in reporting/grading                  | 65% of all respondents                     |
| • Inconsistency in applying data and/or using reports | 47.3% of all respondents                   |
| • Inability to distinguish levels of performance      | 39.2% of all respondents                   |
| • Inability to adequately comment or challenge        | 31.1% of all respondents                   |
| • Evaluator's fear of reprisal for negative reports   | 18.4% of all respondents                   |
| • Gives the Contracting Officer too much discretion   | 15.3% of all respondents                   |
| • Fundamentally a bad idea                            | 4% of all respondents [Ref. 22:Question 2] |

This data once again highlights the problems with inconsistency in grading and reporting past performance information. Often levels of distinction between levels are unclear, and evaluators are reluctant to grade down; and, as a result, they artificially level the playing field.

## **2. Comments by Government Agencies**

The use of past performance as a significant evaluation factor has:

- Helped to eliminate poor performing contractors (32.1% of respondents).
- Produced improvement in contractor performance (27.9% of respondents).
- Increased my workload (27.2% of respondents).
- Enhanced my ability to select superior contractors (26.3% of respondents).
- Failed to alter contractor performance (14.7% of respondents).
- Not worth the effort (13.9% of respondents).
- Made source selection more burdensome (13.9% of respondents). [Ref. 22:Question 22]

The data above indicate that that only one third of the respondents felt that past performance eliminated poor performing contractors. The use of past performance as a source selection factor has had limited success improving the performance of contractors as only 28% of respondents stated that they felt the use of past performance as a source selection factor produced improvement in contractor performance. The use of past performance also enhanced the contracting officer ability to select superior contractors among only 26% of respondents. This data indicates that while the use of past performance data in the source selection process increases the workload of the contracting officials and makes the source selection process more burdensome the benefits may not be significant enough to warrant its use.

### ***a. Do You Use PPIRS?***

No 54% of respondents

Yes 46% of respondents [Ref. 22:Question 26]

This indicates that all respondents do not use the PPIRS system and, therefore, rely on other forms of past performance data in making their decisions. The PPIRS process is simply a web info site, which provides information to access the individual past performance databases.

***b. Do Contractors ALWAYS Have an Opportunity to Comment Upon a Negative Report?***

No 86% of respondents

Yes 31% of respondents [Ref. 22:Question 28]

This response highlights a major concern within the contracting and contractor community: that despite guidance to the contrary, past performance, in particular negative past performance, is not reviewed and validated with the contractor prior to being used in the source selection process.

**3. Contractor Comments**

- Failure to have and use automated systems required Government customers to manually answer questionnaires over and over again.
- PPI used as club or weapon by the Government.
- Inconsistency and subjectivity are a problem.
- Contractors are afraid to exercise rights.
- Past performance only works to distinguish top performers.
- Small performers--small business also a problem.
- Agencies still not complying with FAR requirements.
- Need to standardize.
- Failure to use automated system creates burdens in responding to questionnaires.
- Afraid to give anything but average ratings-- inflation of scores.
- Need more training, guidance, and resources.
- Subjective and inconsistent.
- Does not provide useful management tool.
- Does help select better performing contractors.
- CPARS cumbersome and confusing.
- Problem with evaluating offers with no past performance [Ref. 22:Question 32]

These comments illustrate many of the concerns with the use of past performance data. Failure to have a reliable automated database on past performance requires manual

labor to accomplish reviews. These efforts are often repeated again and again for each source selection. Past performance ratings are often considered more subjective than objective and can vary between source selections.

The level of consistency between and among source selection was a concern brought out in both the interviews with the command and in the ABA study. The degree of consistency is often a function of the individuals performing the evaluation. The Army recommends the formation of a Performance Risk Analysis Group (PRAG) for large procurements over \$40 million. The use of a PRAG for the execution of the past performance evaluations greatly helps to maintain the consistency of the evaluation and application of the risk ratings. A dedicated group can apply like logic to the ratings and consistency against the source selection plan. Most interviewed, however, felt that this dedicated group was only used on large procurements. On smaller procurements contract specialists are left on their own to perform the analysis. As a result of downsizing over the past five years, each command has lost the core group that specialized in past performance tracking and contractor evaluation during the source selection process. This loss has required the contract specialist to gather the necessary information and apply the source selection plan without the help of individuals who have extensive experience with past performance data and its application to the source selection process.

#### **4. Other Observations**

One of the primary dissatisfactions voiced about the measurement and use of past performance currently is that it does not address the core question of every requirer, which is “What is the risk to my program or contract?” Past performance measurement currently derives a risk rating that focuses on the contractor’s relevant and recent contractual performance. This performance has varying levels of direct correlation to the current contract. The greater the correlation between the contractor’s past performance and the requirements of the current contract, the higher the confidence that this performance history will continue into the future. The problem comes when this current contract’s requirements vary from a contractor’s past performance. Factors such as production rates, vendor relationships, new partnerships or team relationships, change in capacity, and size of the procurement can directly impact the risk of performance by a contractor regardless of its performance history.



Currently, these elements are often addressed in preaward survey, which is primarily used to address the responsibility determination. These surveys provide the buying command with information that resulted in an award/ no award determination. They also do not define levels of risk associated with each element. As stated previously best value procurements are designed to only consider responsible contractors for the tradeoff of other factors such as past performance during the source selection process. As a result past performance is used from an historical perspective and then applied to future requirements for source selection.

One way to more effectively deal with this problem is to back away from making past performance a stand alone factor. Past performance as an indicator of future performance should be utilized in conjunction with other factors that take into account the contractor's current capabilities with regards to an upcoming procurement. On larger procurements past performance should be considered along with other factors to assess a contractor's total risk in performing on the current procurement. In this approach, contractors who are considered responsible are evaluated by a small group of individuals who provide an assessment of risk levels associated with the contractor's delivery performance as well as other performance factors such as facilities, financial, personnel, subcontract control and quality history. These assessments primarily focus on each contractor's capability risks in the performance of an upcoming requirement based on current conditions and the manner in which the contractor performed in these areas in the past.

This approach provides the acquisition community and the source selection authority with an estimate of the contractor's ability to perform on the current requirement, not just past performance. This information, resulting from a capability risk assessment can then be utilized in conjunction with price and other factors in the selection of the contractor who provides the best value to the Government. This approach allows for the inclusion of past performance history in the source selection process but also takes in consideration the risk that contractors bring to the current acquisition. The use of this approach provides a more useful and actionable metric by quantifying the risk associated with each contractor. For this approach to be most effective a team of functional experts should go onsite to the contractor's place of performance to conduct

the assessment. The team should interface with the servicing Defense Contract Management Agency (DCMA) office to validate previously collected performance history and draw on their expert knowledge of the contractor. The core team should be maintained in assessing each contractor's risks. This team might comprise specialists inside the command and/or outside support on large procurements. The important elements of this group are that they function as a team throughout the total source selection process. This would help ensure continuity of assessment, which is instrumental in the integrity of the assessment. This approach is more expedient than the current past performance approach, providing the source selection authority with a risk assessment of not just a contractor's performance on previous contracts but, rather, an assessment of the relationship between past performance and the current requirements of the program. An approach that couples past performance information with an assessment of risks for performing on the current requirement would demonstrate an effective use of past performance information. Risk information would allow the source selection authority to make a sounder and more defensible decision for trading off the risk with other factors in the source selection process. The table below compares the current process of past performance and the proposed use of past performance within a contractor capability risk assessment of the contractor.

Table 3.2 Current Past Performance Process Compared to Contractor Capability Risk Assessment Process

<b>Current Process</b>	<b>Contractor Risk Assessment Process</b>
<ul style="list-style-type: none"> <li>• Focuses on each contractor's past performance history</li> <li>• Assessments often more subjective than objective</li> <li>• Past performance often incomplete and neutral in nature</li> <li>• Often time consuming and labor intensive</li> <li>• Validation of past performance</li> <li>• Information often difficult through questionnaires and interviews</li> </ul>	<ul style="list-style-type: none"> <li>• Uses past performance data as baseline but also assesses current capabilities along with past performance data</li> <li>• Validation of past performance can be accomplished during onsite visit</li> <li>• Differences in current environment can be accounted for and risk properly assessed</li> </ul>

The use of past performance as an evaluation factor in the source selection process should be used primarily when there is a historical basis of performance either with previous producers or with similar items produced. When items being procured affected the impacts readiness of a weapon system because of the Government's supply position and/or past history of difficulty of obtaining the parts, then past performance in the selection process becomes increasingly important. Past performance should be considered in the responsibility determination of every contract, even if it is not a separate factor in the award process.

The preoccupation with reducing cycle time and therefore reducing PALT has influenced the use of past performance in the source selection process. This push to award contracts in less time has resulted in added pressure not to consider past performance because it adds to the time required to make the award. The FAR requires that past performance information collected on a contractor be shared with the contractor. This will allow for the contractor to validate the accuracy of the data and resolve any differences prior to its use. The FAR allows 30 days for past performance review of data by the contractor. Often this process can take longer than 30 days when cause for the delay is mitigated by the Government's actions during the performance of the contract. The knowledge that the use of past performance in the source selection process could add up to several months in the source selection process is a strong deterrent to its use in today's environment. A process of collecting and validating data prior to its use can help prevent this additional cycle time. PPIMS does have a process to validate data prior to its use, but this data is often incomplete.

A historical problem with the measurement of performance is the method of measurement. If contract performance is measured on a contract basis, the results can be different than if measured in on a contract line item nomenclature (CLIN) basis. Since each contract can have several CLINs outlining the deliverables and the contract schedule, the number of data points expand if contract performance is measured using CLINs. The way contracts are written as to the number of CLINs used can, therefore, significantly affect the results of any measurement.

Several respondents from AMCOM provided insights into their experiences with past performance usage in the source selection process while with the Army Troop and Aviation Command (ATCOM). The table below represents data collected by ATCOM during the period 1990 through 1996. The data illustrates several things about the use of past performance including reluctance to use it in the source selection process.

Table 3.3. Past Performance History ATCOM (From: ATCOM, Production Management Division)

Summary of use of past performance within the source selection process					
Year	PWDs Reviewed	Nominated for inclusion	Awarded w/ PPI as low bidder An evaluation Factor	Other than	To low bidder
<b>1990</b>	20	3	2	1	1
<b>1991</b>	36	9	1	1	0
<b>1992</b>	463	245	15	0	15
<b>1993</b>	92	31	17	3	14
<b>1994</b>	136	27	2	1	1
<b>1995</b>	935	37	1	1	0
<b>1996</b>	925	15	1	1	1

Production and Quality Specialists reviewed individual Procurement Work Directives (PWDs) to determine if an item being procured had any history of poor quality or late delivery. As a result of this information, the contracting officer made the final determination whether or not past performance would be an evaluation factor in the solicitation. Even when used, the weighting proportioned to this factor was under the 25% weighting recommended by the technical specialist. As a result, over a seven-year period during which several thousand PWDs were considered and several hundred nominated, only eight were awarded to other than the low bidder in the final analysis. These results even further bring into question the value of past performance data since in the long run the data has little or no effect the contract award.

Some respondents as well as many within DoD also believe that delivery performance should only be measured against the original schedule in the contract. The rationale for this belief is that the original schedule reflects the expected delivery of the item by the Government. Failure to meet the original contract schedule represents a breach to the schedule that was initially required by the Government. The primary

exception to this would be if some Government action caused the delay in the delivery. Measurement to original delivery schedules is made impossible in an automated way since this information is not routinely maintained in the databases such as CCSS and DCMA.

Government-caused delays are often difficult to assess. Often gray areas such as an unclear technical data package (TDP) being provided by the Government, late Government Furnished Material (GFM), untimely Government responses to contractor's questions, late approvals of first article or product verification tests make it difficult to assess the contractor's responsibility in the resulting delays. As a result, data is often neutralized or thrown out during the source selection evaluation.

#### **E. SUMMARY**

The surveys and follow-on interviews indicated several overriding patterns in the use of past performance. They are summarized as follows:

- Past performance data is not used as frequently as the policy guidance directs.
- Past performance data still is lacking consistency in the information systems currently trying to capture the data.

Past performances usefulness in the source selection process is perceived as limited. Many problems still exist with both the gathering of past performance data and in its use. The process is still handicapped by the lack of effective automated tools that, in the absence of sufficient manpower, can be used to effectively gather and use past performance data. Its use is also inhibited by a lack of dedicated individuals in the buying commands to assist in both the gathering and input of the data and its eventual use in the source selection process.

Past performance data still suffers from many of the same problems that have limited its use in the past. With its elevation to a source selection factor, these problems are amplified. The time consumed in gathering and maintaining the data is made more burdensome by the reduced workforce. Lack of automated systems that could generate the data prevents leverage that would offset the reduction of the workforce.

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## **IV. CONCLUSIONS AND RECOMMENDATIONS**

### **A. INTRODUCTION**

This chapter summarizes the research presented in this thesis by reviewing the primary and the secondary research questions and stating the conclusions that result from analysis of the data gathered. The chapter concludes with the researcher's recommended areas for further study and analysis.

Data was collected through research of past performance information, questionnaires, interviews with individuals engaged in past performance data gathering and use in the source selection process as well as collaborating past performance studies. The data indicated that contract specialists still encounter problems with their use of past performance data, which resulted in various levels of dissatisfaction with its use in the source selection process.

Many of the same problems identified in the "Final Report for the Contractor Past Performance System Evaluation Study" to the Deputy Under Secretary of Defense (Acquisition Reform) in June of 1996 still exist today. The report identified a number of barriers to the widespread adoption of past performance as a major selection factor in the source selection process. The areas identified were as follows:

- Weak and inaccurate quality and delivery data processes
- Lack of tools to collect accurate data
- Time to validate performance data
- Impact on the acquisition streamlining efforts to reduced procurement administrative lead times (PALT)
- Productivity impacts
- Administrative burden
- Lack of experience with subjective decision making
- Lack of tools to collect accurate data
- Low bidder mind set
- Risk avoidance culture [Ref. 5:p. 38]

## **B CONCLUSIONS AND SUMMARY**

Two of the research questions pertained to the guidance surrounding past performance and its overall compliance within the Army community: “What guidance currently exists on past performance?” and “What is the overall compliance with past performance guidance?”

Current guidance for the use of past performance has recognized many of these concerns identified in the previous chapter. OFFP Policy Letter 92-5 established the requirements for collection and use of PPI in the source selection process. The threshold at which past performance data is to be collected and for its use has been revised. A waiver for the use of past performance data as a factor in a best value procurement is allowed. Past performance does not have to be used when the contracting officer can make a determination that there is no significant difference in the past performance of the contractors that will bid on the solicitation. This occurs most often when the procurements are restricted to other than full and open competition and the contracting officer knows the contractors that are eligible to bid.

Another research question asked “What does past performance actually represent?” Past performance has not had the impact that many envisioned when it was introduced as a factor along with price in the best value process. Many problems still exist with its collection and use. Despite these problems, a contractor’s past performance should and does have a bearing on its ability to perform successfully on future requirements. The challenge is to find the best fit for its use in the source selection process.

This research indicates that the use of past performance in the source selection process suffers from many of the same problems that it has since its inception as a factor other than price in the award process. The use of past performance represents a contractor’s success in meeting previous contractual obligations. The measurement of contractor’s meeting those obligations is made difficult by data collection problems and other consideration that often effect performance such as: government caused delays, changes in contract scope, vendor or manufacturing problems. Research date indicates that the use of past performance has not always generated the desired impacts in the



source selection process. Many individuals feel that the effort required to use past performance data and the inability to factor other considerations that affect past performance offset any benefits derived from using this data.

### **C. HOW IS PAST PERFORMANCE USED TODAY?**

Today past performance is primarily used in assessing the responsibility of a given contractor. When past performance is used as another factor along with price to determine best value, it takes on a more divergent role and its measurement is more likely to come into question. The role of past performance in many respects is clearer when used as a pass/fail indicator, as in a responsibility determination. If a contractor has demonstrated poor performance in the past, then its responsibility can be questioned on the current contract with no award made. With its use as a factor along with price, however, a new dynamic is present, one of levels of risk. By taking this step more subjectivity comes into play. A determination of level of goodness must be assessed, which provides more opportunity for greater disagreement. Much of this disagreement arises out of:

- The measurement parameters used to assess past performance data
- The assessment of risk with newly merged companies or contractors with no past performance history
- Number of rating levels used
- Completeness of data and the adjustments for governments caused delays

Two of the research questions asked: “What organizations gather and use past performance data?” and “What automated databases and tools are used?”.

The PPIMS past performance system requires that the administrators of the contracts that require reporting input PAR reports on contractor performance. Most major commands have administrators that oversee this process. Past performance data is primarily used by the contracting officers, preaward survey cells, and source selection teams engaged in the awards of contracts. Reduction in workforce levels as well as an emphasis in reduced award cycle times has hindered its collection and use.

Past performance data has many facets that must be properly addressed for its effective use. A myriad of databases can be used and the information must be understood as to how and what is measured. PPIMS and the PPIRS database are designed to help

collect data on higher dollar value contracts, but these databases still suffer from incomplete data and inconsistencies in the measurement of past performance data. Contractor verification of this information must be made prior to its use in the source selection. Although efforts have been made to automate the collection of past performance data, the process still is labor intense. Problems still exists with negative data on contractors that is not always reviewed by the contractor prior to its use. A more effective data collection process needs to be achieved. The contracting personnel and contractors need a process that standardizes the method of measurement, automates its collection, and allows for viewing across the spectrum of past performance data on each contractor.

Many of the difficulties outlined above have limited the use of past performance to help choose best value contractor instead of merely the lowest priced responsible contractor. New methods of past performance use and data collection can help achieve this result. A new approach in looking into how and when it is used is instrumental to its usage in the source selection process.

#### **D. RECOMMENDATIONS**

The final two research questions: “What are some possible methods of past performance use in the future?” and “How can the Army best use past performance in the source selection process?” will be addressed in this section since they deal with past performances future use and its best use in the source selection process.

The overwhelming response was that past performance should only be considered as a source selection factor when conditions warranted its use. Past performance should primarily be considered when poor performing contractors are anticipated to be bidding, and when a determination nonresponsibility cannot be justified but performance is not as good as the command would like.

Several steps must happen before past performance can play the role that it was envisioned with its inclusion as a factor along with price in the source selection process. First, the institutional fixes to gather information more effectively must be addressed. Areas such as how past performance is measured and gathered should be standardized across DoD. Efforts should be made to include the contractor community into this

process to gain both understanding and buy-in to the new standardized process. Automation should be leveraged in both the reporting of performance but also in the scoring of data and the review of performance information on individual contractors.

Past performance information should be considered by the source selection official as a sub factor in an overall capability risk assessment. This approach speaks to the very core of what each requirer truly wants to know: “What is the risk of this company performing on my acquisition?”

Past performance will always have minimal, if any, impact in the evaluation process without a direct connection to a contractor’s capabilities on current award. That is, it matters little if the contractor has performed successfully on past awards if that performance is not directly related to the conditions surrounding the performance required for the acquisition. By using this risk assessment approach factors such as production rates, time period of performance, and other capacity issues can be assessed along with the contractor’s performance history.

#### **E. AREAS OF FURTHER RESEARCH**

Several areas would benefit from further research into the past performance process.

Studies need to be conducted on:

- The automation problems associated with capturing past performance data needs to be examined. Such research should focus on ways to meet the true needs of the acquisition community. Emphasis on automation enhancements for the measurement of data should be explored.
- Further research as to methods such as the capability risk assessment proposed needs to be explored. For past performance data to become more useful in the future, it must be relevant and timely in the source selection process. A “one size fits all” approach should be abandoned to allow for a tailoring of how past performance data is used. The end result should be procurement that provides balance among the most capable contractor, the lowest price, and lowest performance risk. Consequently, methods to determine capability risk assessments should be explored.
- Further research on methods to collect and use past performance data t need to be conducted. The data should be centralized and standardized in a true web based environment in which the contracting community as well as contractors can easily assess.

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## **APPENDIX A. FAR CLAUSES WITH RESPECT TO PAST PERFORMANCE**

### **15.304 -- Evaluation Factors and Significant Subfactors.**

3)

*(i) Except as set forth in paragraph (c)(3)(iv) of this section, past performance shall be evaluated in all source selections for negotiated competitive acquisitions expected to exceed \$1,000,000.*

*(ii) Except as set forth in paragraph (c)(3)(iv) of this section, past performance shall be evaluated in all source selections for negotiated competitive acquisitions issued on or after January 1, 1999, for acquisitions expected to exceed \$100,000. Agencies should develop phase-in schedules that meet or exceed this schedule.*

*(iii) For solicitations involving bundling that offer a significant opportunity for subcontracting, the contracting officer must include a factor to evaluate past performance indicating the extent to which the offeror attained applicable goals for small business participation under contracts that required subcontracting plans (15 U.S.C.637(d)(4)(G)(ii)).*

*(iv) Past performance need not be evaluated if the contracting officer documents the reason past performance is not an appropriate evaluation factor for the acquisition.*

*(4) The extent of participation of small disadvantaged business concerns in performance of the contract shall be evaluated in unrestricted acquisitions expected to exceed \$500,000 (\$1,000,000 for construction) subject to certain limitations (see 19.201 and 19.1202).*

*(5) For solicitations involving bundling that offer a significant opportunity for subcontracting, the contracting officer must include proposed small business subcontracting participation in the subcontracting plan as an evaluation factor (15 U.S.C.637(d)(4)(G)(i)).*

*(d) All factors and significant subfactors that will affect contract award and their relative importance shall be stated clearly in the solicitation (10 U.S.C.2305(a)(2)(A)(i) and 41 U.S.C.253a(b)(1)(A)) (see 15.204-5(c)). The rating method need not be disclosed in the solicitation. The general approach for evaluating past performance information shall be described.*

*(e) The solicitation shall also state, at a minimum, whether all evaluation factors other than cost or price, when combined, are --*

- (1) Significantly more important than cost or price;*
- (2) Approximately equal to cost or price; or*
- (3) Significantly less important than cost or price (10 U.S.C.2305(a)(3)(A)(iii) and 41 U.S.C.253a(c)(1)(C)).*

#### **42.1501 -- General.**

*Past performance information is relevant information, for future source selection purposes, regarding a contractor's actions under previously awarded contracts. It includes, for example, the contractor's record of conforming to contract requirements and to standards of good workmanship; the contractor's record of forecasting and controlling costs; the contractor's adherence to contract schedules, including the administrative aspects of performance; the contractor's history of reasonable and cooperative behavior and commitment to customer satisfaction; and generally, the contractor's business-like concern for the interest of the customer.*

#### **42.1502 -- Policy.**

*(a) Except as provided in paragraph (b) of this section, agencies shall prepare an evaluation of contractor performance for each contract in excess of \$1,000,000 (regardless of the date of contract award) and for each contract in excess of \$100,000 beginning not later than January 1, 1998 (regardless of the date of contract award), at the time the work under the contract is completed. In addition, interim evaluations should be prepared as specified by the agencies to provide current information for source selection purposes, for contracts with a period of performance, including options, exceeding one year. This evaluation is generally for the entity, division, or unit that performed the contract. The content and format of performance evaluations shall be established in accordance with agency procedures and should be tailored to the size, content, and complexity of the contractual requirements.*

*(b) Agencies shall not evaluate performance for contracts awarded under Subparts 8.6 and 8.7. Agencies shall evaluate construction contractor performance and architect/engineer contractor performance in accordance with 36.201 and 36.604, respectively.*

#### **42.1503 -- Procedures.**

*(a) Agency procedures for the past performance evaluation system shall generally provide for input to the evaluations from the technical office, contracting office and, where appropriate, end users of the product or service.*

*(b) Agency evaluations of contractor performance prepared under this subpart shall be provided to the contractor as soon as practicable after completion of the evaluation. Contractors shall be given a minimum of 30 days to submit comments, rebutting statements, or additional information. Agencies shall provide for review at a level above the contracting officer to consider disagreements between the parties regarding the evaluation. **The ultimate conclusion on the performance evaluation is a decision of the contracting agency.** Copies of the evaluation, contractor response, and review comments, if any, shall be retained as part of the evaluation. These evaluations may be used to support future award decisions, and should therefore be marked "Source Selection Information". **The completed evaluation shall not be released to other than Government personnel and the contractor whose performance is being evaluated** during the period the information may be used to provide source selection information. Disclosure of such information could cause harm both to the commercial interest of the Government and to the competitive position of the contractor being evaluated as well as impede the efficiency of Government operations. Evaluations used in determining award or incentive fee payments may also be used to satisfy the requirements of this subpart. A copy of the annual or final past performance evaluation shall be provided to the contractor as soon as it is finalized.*

*(c) Departments and agencies shall share past performance information with other departments and agencies when requested to support future award decisions. The information may be provided through interview and/or by sending the evaluation and comment documents to the requesting source selection official.*

*(d) Any past performance information systems, including automated systems, used for maintaining contractor performance information and/or evaluations should include appropriate management and technical controls to ensure that only authorized personnel have access to the data.*

*(e) **The past performance information shall not be retained to provide source selection than three years after completion of contract***

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## APPENDIX B. QUESTIONNAIRE USED FOR INITIAL SURVEY OF PROSPECTIVE INDIVIDUALS USING PAST PERFORMANCE DATA

My name is Joseph Tappel; I am a graduate student with the Naval Postgraduate School working on a master in contracting. As part of my thesis, I am collecting data on the use of past performance within DOD and particularly within the Army. In my fulltime job, I am an Industrial Specialist at AMC Headquarters. Your assistance in gathering this information is greatly appreciated and could help influence future use of past performance. My work number is (703) 617-8270 of DSN 767-8270. My FAX number is (703) 617-2235. My e-mail is [tappelj@hqamc.army.mil](mailto:tappelj@hqamc.army.mil).

Thanks for your help gathering this information.

Date \_\_\_\_\_

Name \_\_\_\_\_

E-mail \_\_\_\_\_

Position \_\_\_\_\_

Phone \_\_\_\_\_

Agency \_\_\_\_\_

Fax \_\_\_\_\_

### What are the primary ways past performance is used in your organization?

*Check all that apply:*

- ☐ For responsibility determination
- ☐ As a stand alone source selection factor (along with price and other factors)
- ☐ As a sub element in a source selection
- ☐ Not at all

### Who determines how past performance will be used in your organization?

- ☐ Contracting officer
- ☐ Policy guidance within organization
- ☐ Contract specialist
- ☐ Team approach
- ☐ Others \_\_\_\_\_  
\_\_\_\_\_

**What automated systems do you use to capture past performance data?**

*Check all that apply:*

- ☐ PPIMS
  - ☐ CPARS
  - ☐ DCMA Databases
  - ☐ CCSS internal data
  - ☐ Proposal data
  - ☐ Others
- 

**Of the past performance data used how would you rate it effectiveness?**

		Effectiveness				
		Least				Most
<input type="checkbox"/>	PPIMS	1	2	3	4	5
<input type="checkbox"/>	CPARS	1	2	3	4	5
<input type="checkbox"/>	DCMA Databases	1	2	3	4	5
<input type="checkbox"/>	CCSS internal data	1	2	3	4	5
<input type="checkbox"/>	Proposal data	1	2	3	4	5
<input type="checkbox"/>	Others	1	2	3	4	5

**What are some of the problems that you have experienced with past performance data?**

*Check all that apply:*

- ☐ Completeness of the data
- ☐ Labor intensive
- ☐ Determining cause for poor performance
- ☐ Validation of data with contractors
- ☐ Rating performance on newly formed or merged companies
- ☐ Relative weight past performance given in relation with other source selection factors
- ☐ Other problems \_\_\_\_\_

**What is your role in past performance?**

*Check all that apply:*

- ☐ User of information
  - ☐ Performance Risk Assessment Group PRAG
  - ☐ Contracting Officer
  - ☐ Assessment Group (Preaward Office)
- ☐ Gatherer/maintainer of information
  - ☐ PPIMS
  - ☐ Shipment Data

- ☐ Provide necessary updates to databases (i.e. shipment and modification data)
- ☐ Policy
- ☐ Automation

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## **APPENDIX C. INTERVIEW FORMAT USED FOR ACTIVE USERS OF PAST PERFORMANCE DATA**

### **Interview Format**

**Individual interviewed** \_\_\_\_\_

**Position** \_\_\_\_\_

**Contact info** \_\_\_\_\_

**When** \_\_\_\_\_

- 1. What automated tools are currently utilized?**
- 2. How often is past performance used as a source selection factor?**
- 3. How are you implementing the current Federal Procurement Policy's guidance on the use of past performance?**
- 4. What changes are necessary to fully comply?**
- 5. What do you think the role of past performance should be?**

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